

COMPANY ANNOUNCEMENT

This is an announcement of the company KA Finance P.L.C (the “Company”), a company incorporated under the laws of Malta, having company registration number C 91544 and registered address at Project Technik, Cannon Road Qormi, QRM 9032, Malta.

Date: 20/08/2020

Ref No: KAF 14

Company Announcement relative to Rule 4.11.12 of the Prospectus Rules.

The Company refers to the obligation which Prospectus MTF Companies are subject to, in terms of Rule 4.11.03 and Rule 4.11.12 relating to explanations of material changes to published forecasts of any financial information. To this end, the Company is accordingly making this announcement to guide the market with regard to the forecasts it has issued for the year 2020, through the publication and dissemination of updated Financial Sustainability Forecasts (hereinafter referred to as “FSFs”), including applicable management assumptions. The below copy of the FSFs, as approved by the Board of Directors, is based on the following assumptions:

Revenue

The group is expected to register revenues of €756K for the year ending 31st December 2020, a decrease of €678K from what was forecasted in the Company Admission Document (“CAD”). The primary reason for this decrease is that projected revenues from the group’s Centris II and Swieqi properties in 2020 have been delayed due to the current COVID-19 pandemic. It is being forecasted that Centris II will be available to prospective tenants in October 2020, three months later than previously forecasted. Nevertheless, to be prudent in the current turbulent business environment, no income has been forecasted from Centris II in 2020. Swieqi will be partially complete by the end of the year and available for short lets. Again, given the current situation within the tourism industry, no revenue has been forecasted till the end of 2020.

Revenue from the Centris I and Gzira properties are projected to be in line with the figures projected in CAD. The slight decrease in revenue from Centris I is due to agreed reductions in rent payments from some tenants impacted directly by the COVID-19 related restrictive measures, and who were forced to temporarily close their operations. The Gzira property, which was planned to be transformed into a boutique hotel, is instead being currently rented out on a long let.

Direct costs

Direct costs are projected to amount to €24K, a decrease of €120K from the figure forecasted in the CAD. This is as a direct result of the delays experienced in commencement of operations of the Centris II, Swieqi and Gzira properties.

Administrative costs

Administrative costs are projected to amount to €158K, a decrease of €74K from the figure forecasted in the CAD. This is as a direct result of the delays experienced in the commencement of operation of the Centris II, Swieqi and Gzira properties.

Total net profit

Total net profit including fair value gain is projected to amount to €3.4 million, a decrease of €1.6 million from the €5 million forecasted in the CAD. This decrease is mainly attributable to a lower fair value gain as the Centris II property will not be operational before October 2020.

Cashflow

It is projected that the company will generate sufficient cash flows to maintain operations and to service the interest payable on the Prospects Bond accordingly. Nonetheless, the company has secured a €150k loan under the Malta Development Bank (MDB) COVID-19 guarantee scheme which was drawn down on 6th August 2020. The drawdown of this loan does not violate any of the restrictive covenants in the CAD.

It is projected that the company will close the year with a positive cash balance of €442K, €38K higher than that forecasted in the CAD



Gayk Ayvazyan o.b.o.
EMCS Ltd.
Company Secretary

Consolidated forecasted income statement for the year ending 31st December 2020

	Revised 2020	CAD 2020	Variance 2020
Revenue			
Centris 1	724,862	773,168	(48,306)
Centris 2	-	237,884	(237,884)
Swieqi	-	394,408	(394,408)
Gzira	31,625	29,023	2,602
Total revenue	756,487	1,434,484	(677,997)
Cost of sales			
Centris 1	(24,000)	(24,970)	970
Centris 2	-	(12,000)	12,000
Swieqi	-	(95,977)	95,977
Gzira	-	(10,820)	10,820
Total cost of sales	(24,000)	(143,767)	119,767
Gross profit			
Centris 1	700,862	748,199	(47,337)
Centris 2	-	225,884	(225,884)
Swieqi	-	298,431	(298,431)
Gzira	31,625	18,203	13,422
Total gross profit	732,487	1,290,717	(558,230)
Administrative expenses			
Centris 1	(83,022)	(64,147)	(18,875)
Centris 2	-	(46,629)	46,629
Swieqi	-	(42,272)	42,272
Gzira	-	(16,580)	16,580
Other costs (CA & trust)	(75,396)	(63,000)	(12,396)
Total Administrative expenses	(158,418)	(232,629)	74,211
Operating profit	574,069	1,058,087	(484,018)
Depreciation	(626)	(20,000)	19,374
PBIT	573,443	1,038,087	(464,644)
Interest			
Bank	(104,041)	(111,001)	6,960
Interest on Prospects MTF Bond	-	(148,500)	148,500
Total interest	(104,041)	(259,501)	155,460
Profit before tax	469,402	778,587	(309,185)
Tax	(97,166)	(179,579)	82,413
Net profit before Fair Value gain	372,236	599,007	(226,771)
Fair Value gain on IP	3,300,000	4,401,500	(1,101,500)
Deferred Tax on Fair Value gain	(264,000)	-	(264,000)
Total Net Profit	3,408,236	5,000,507	(1,592,271)

Consolidated forecasted statement of financial position for the year ending 31st December 2020

	Revised 2020	CAD 2020	Variance 2020
ASSETS			
Non-current assets			
Investment property			
Centris 1	12,221,034	12,000,000	221,034
Centris 2	11,914,811	14,000,000	(2,085,189)
Swieqi Equipment	1,992,965	2,261,650	(268,685)
Gzira Equipment	522,364	473,550	48,814
Total IP	26,651,174	28,735,200	(2,084,026)
PPE	1,249		1,249
Other			
Financial assets	36,736	36,736	-
Trade and other receivables	61,741	-	61,741
Total non-current assets	26,750,900	28,771,936	(2,021,036)
Current assets			
Trade and other receivables	190,416	353,708	(163,292)
Cash and cash equivalents	442,391	404,180	38,211
Total current assets	632,807	757,888	(125,081)
Total assets	27,383,707	29,529,824	(2,146,117)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	150,000	150,000	-
Retained earnings	1,423,557	1,655,858	(232,301)
Revaluation reserve	12,927,231	14,973,534	(2,046,303)
Total equity	14,500,788	16,779,392	(2,278,604)
Non-current liabilities			
Interest-bearing borrowings	1,937,552	1,844,775	92,777
MTF prospects Bond	5,778,004	6,114,750	(336,746)
Amounts due to related parties	812,319	812,320	(1)
Deferred taxation	1,908,079	2,300,416	(392,337)
Security Deposits received	439,553	598,552	(158,999)
Total non-current liabilities	10,875,507	11,670,813	(795,306)
Current liabilities			
Interest-bearing borrowings	232,602	138,209	94,393
MTF prospects Bond	244,009	-	244,009
Trade and other payables	1,422,667	761,830	660,837
Current taxation	108,134	179,579	(71,445)
Total current liabilities	2,007,412	1,079,619	927,793
Total liabilities	12,882,919	12,750,432	132,487
Total equity and liabilities	27,383,707	29,529,824	(2,146,117)

Consolidated forecasted statement of cash flow for the year ending 31st December 2020

	Revised 2020	CAD 2020	Variance 2020
Cash flows from operating activities			
Total Net Profit	3,408,236	5,000,507	(1,592,271)
Adjustments Fair Value gain	(3,036,000)	(4,401,500)	1,365,500
Net income Before Fair Value gain	372,236	599,007	(226,771)
Interest	104,041	259,501	(155,460)
Tax	97,166	179,579	(82,413)
Operating profit	573,443	1,038,087	(464,644)
depreciation	626	20,000	(19,374)
Changes in working capital			
(Increase) decrease in receivables	(49,895)	(168,917)	119,022
(Increase) decrease inventory	-	-	-
Increase (decrease) payables	578,619	(252,992)	831,611
Interest Paid	(393,490)	(396,001)	2,511
Tax Paid	(102,325)	(103,719)	1,394
Cash from operating activities	606,978	136,459	470,519
Cash flows from investing activities			
Purchase of property plant and equipment	(2,501,328)	(2,450,000)	(51,328)
Net cash from investing activities	(2,501,328)	(2,450,000)	(51,328)
Cash flows from financing activities			
Proceeds from loans	150,000	-	150,000
Payments of loans excluding interest	(124,112)	(131,315)	7,203
Net cash from financing activities	25,888	(131,315)	157,203
Net cash movement for the period	(1,868,462)	(2,444,856)	576,394
Opening cash balance	2,310,853	2,849,037	(538,183)
Closing cash balance	442,391	404,180	38,211